

**CALIFORNIA BOARD OF ACCOUNTANCY**

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**SPECIAL MESSAGE FOR LICENSEES
REGARDING THE REPORTING OF RESTATEMENTS**

The Board has received several inquiries from licensees regarding compliance with the new statutory requirement for the reporting of restatements. Business and Professions Code Section 5063 as amended effective January 1, 2003 requires licensees to report to the Board in writing the occurrence of any restatement, that occurs on or after January 1, 2003, of a financial statement and related disclosures by a client audited by the licensee.

However, Section 5063 authorizes the Board to further define these reporting requirements by regulation. The current consensus of the Board is that the most useful information comes from the reporting of restatements issued to correct errors in previously issued financial statements. The Board also believes that it is sufficient to require only the reporting of information that is publicly disclosed. Consequently, the Board now is pursuing the adoption of regulations to define the required reporting of restatements as follows:

Section 59. Reporting of Restatements.

(a) To comply with the requirements of paragraph (1) of subdivision (b) of Business and Professions Code Section 5063, a licensee who issues a report on a client's restated financial statement shall report to the Board:

(1) Any restatement of a financial statement reporting the correction of any error, as defined in professional standards, in a previously issued financial statement of a client that is:

(A) a publicly traded company located, incorporated, or doing business in California;

(B) a government agency located in California; or

(C) any other entity where disclosure of the financial statement is required by law and the entity is incorporated, located, or doing business in California.

(2) Any restatement of a financial statement of a charitable organization registered by the Office of the Attorney General's Registry of Charitable Trusts which is issued for purposes of correcting any error in a previously issued financial statement and which has resulted in the filing of an amended or superceding Internal Revenue Service Form 990 of 990PF.

(b) The report required by subsection (a) shall be made by the licensee issuing the report on the restatement even if the licensee did not perform the original audit. The report required by subsection (a) shall be provided to the Board within 30 days of issuance of the restatement, shall be signed by the licensee, and shall set forth the facts which constitute the reportable event including an explanation of the reason for the restatement. The report made under paragraph (a)(1) of this section shall include copies of the original and the restated financial statements. The report made under paragraph (a)(2) of this section shall include only those portions of the original and the amended Forms 990 or 990PF related to the reissued financial statement.

A hearing on this proposed regulation is presently scheduled for March 22, 2003.

Since this officially-proposed regulation reflects the present consensus of the Board, please be advised that in this interim period before formal approval of this regulatory proposal, licensees who do make timely written reports to the Board of only those restatements specified in proposed Section 59 will not be subject to disciplinary action by the Board. Under Business and Professions Code Section 5063 itself, timely reports are reports that are made within 30 days of the date that the licensee has knowledge of the restatement of a financial statement and related disclosures by a client audited by the licensee.